

**VILLAGE OF ADDISON
LENAWEE COUNTY, MICHIGAN
ANNUAL FINANCIAL REPORT
FEBRUARY 28, 2007**

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name ADDISON	County LENAWEE
Fiscal Year End FEBRUARY 28, 2007	Opinion Date MAY 30, 2007	Date Audit Report Submitted to State JUNE 4, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


5
11
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Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☒ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) PHILIP R RUBLEY, CPA		Telephone Number 517-458-2274	
Street Address 133 W MAIN STREET		City MORENCI	State MI
Zip 49256			
Authorizing CPA Signature 		Printed Name PHILIP R RUBLEY	License Number 9223

**VILLAGE OF ADDISON
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED FEBRUARY 28, 2007**

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VILLAGE OF ADDISON
Management's Discussion and Analysis
February 28, 2007

Using This Annual Report

The annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of Village of Addison, Michigan government-wide basis. They are designed to present a longer-term view of the Village's finances. Fund financial statements tell how services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

Overview Of The Financial Statements

The Village's basic financial statements are comprised of three components:

- A) Government-wide financial statements.
- B) Fund financial statements.
- C) Notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The Village maintains 6 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, major street and local street each which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The Village adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

Proprietary Funds. The Village maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The Village uses enterprise funds to account for its wastewater and water operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the Village's various functions. The Village uses an internal service fund to account for its public works and general maintenance equipment. Because this service predominantly benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

VILLAGE OF ADDISON
Management's Discussion and Analysis
February 28, 2007

Notes To The Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement of some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Village include general government, public safety, public works, parks and recreation and community development. The business-type activities of the Village include water and waste water activities reflected in the utilities fund.

The government-wide financial statements include only the Village itself (known as the *primary government*).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories; governmental funds and proprietary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Other Information

The Village has reported under required supplementation information, information about the General Fund and Major Type Funds, and Combining Balance Sheets and Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Type Governmental Funds.

VILLAGE OF ADDISON
Management's Discussion and Analysis
February 28, 2007

The Village As A Whole

The Village's net assets for the year ended February 28, 2007 decreased by .0046% over the prior year. The net results of the township can be partly attributable to Michigan's over all economy. The Village has received less revenue and maintained costs of services resulting in decreases in net assets.

The governmental activities reflect net assets of \$513,962 and the business-type (utilities) of \$575,173.

By far the largest portion of the Village's net assets (68 percent) reflects its investment in capital assets (e.g. land, buildings, vehicles, equipment and infrastructure), less any related debt used to acquire these assets that are still outstanding. The Village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

VILLAGE OF ADDISON
Management's Discussion and Analysis
February 28, 2007

VILLAGE OF ADDISON
STATEMENT OF ACTIVITIES

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
	<u>2007</u>	<u>2007</u>	<u>2007</u>
<u>Revenue</u>			
Program Revenue:			
Charges for Services	\$ 97,290	\$132,362	\$ 229,652
Operating Grants and Contributions	55,023	---	55,023
Capital Grants and Contributions	1,250	---	1,250
General Revenue:			
Property Taxes	108,142	41,373	149,515
Grants and Contributions Not			
Restricted To Specific Program	61,367	---	61,367
Other	<u>11,230</u>	<u>9,623</u>	<u>20,853</u>
Total Revenue	<u>334,302</u>	<u>183,358</u>	<u>517,660</u>
<u>Expenses</u>			
General Government	60,486	---	60,486
Public Safety	46,777	---	46,777
Public Works	148,411	---	148,411
Community and Economic Development	5,847	---	5,847
Recreation and Culture	15,074	---	15,074
Interest on Long-Term Debt	---	16,435	16,435
Utilities Expenses	---	186,499	186,499
Other	<u>43,204</u>	<u>---</u>	<u>43,204</u>
Total Expenses	<u>319,799</u>	<u>202,934</u>	<u>522,733</u>
Increase (Decrease) In Net Assets	14,503	(19,576)	(5,073)
Net Assets Beginning of Year	<u>499,459</u>	<u>594,749</u>	<u>1,094,208</u>
Net Assets End of Year	<u>\$513,962</u>	<u>\$575,173</u>	<u>\$1,089,135</u>

VILLAGE OF ADDISON
Management's Discussion and Analysis
February 28, 2007

VILLAGE OF ADDISON
STATEMENT OF NET ASSETS

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
	<u>2007</u>	<u>2007</u>	<u>2007</u>
Current and Other Assets	\$111,523	\$ 260,872	\$ 372,395
Capital Assets	<u>422,901</u>	<u>953,094</u>	<u>1,375,995</u>
Total Assets	<u>534,424</u>	<u>1,213,966</u>	<u>1,748,390</u>
Long-Term Liabilities Outstanding	---	630,000	630,000
Other Liabilities	<u>20,462</u>	<u>8,793</u>	<u>29,255</u>
Total Liabilities	<u>20,462</u>	<u>638,793</u>	<u>659,255</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	422,901	323,094	745,995
Restricted	---	57,834	57,834
Unrestricted	<u>91,061</u>	<u>194,245</u>	<u>285,306</u>
Total Net Assets	<u>\$513,962</u>	<u>\$ 575,173</u>	<u>\$1,089,135</u>

Government Activities

Government activities increased the Village's net assets by \$14,503.

Business-Type Activities

Business-type activities decreased the Village's net assets by \$19,576.

The Village's Funds

Our analysis of the Village's funds begins on Page 9, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Council and management creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages, etc.

VILLAGE OF ADDISON
Management's Discussion and Analysis
February 28, 2007

General Fund Budgetary Highlights

There were no changes from the original budget and amended budget.

Capital Assets And Debt Administration

The Village's investment in capital assets for its governmental and business-type activities as of February 28, 2007, amounted to \$1,375,995 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the Village's investment in capital assets for the current year was 1%.

Long-term debt of the Village decreased by \$34,500 (see Note 8 of the basic financial statements). There was no new debt incurred in the fiscal year ended February 28, 2007.

Economic Factors And Next Year's Budget And Rates

The Village's budget for 2007-2008 fiscal year has taken inconsideration, the economic condition of the State of Michigan anticipating reduced state share revenues. This will require close tabs on expenditures for the upcoming year and adjustments will be made to mirror, when possible, the revenue base, with expenses.

Contacting The Village's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office at 103 ½ W. Main St., Addison, Michigan 49220.

PHILIP R. RUBLEY

– Certified Public Accountant –

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PHILIP R. RUBLEY, C.P.A.

MEMBERS OF
AMERICAN INSTITUTE OF C.P.A.'S
& THE MICHIGAN ASSOCIATION OF C.P.A.'S

May 30, 2007

**Honorable Mayor and Members
Of The Village Council
Village of Addison
Addison, MI 49220**

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Addison, Michigan as of and for the year ended February 28, 2007, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Addison, Michigan, management. Our responsibility is to express opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Addison, Michigan, as of February 28, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 1 through 6, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Addison, Michigan basic financial statements. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Village of Addison
May 30, 2007

The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully Submitted,



Philip R. Rubley, CPA

PRR/cab

VILLAGE OF ADDISON
Government-wide Statement of Net Assets
February 28, 2007

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Equivalents	\$ 76,642	\$ 155,122	\$ 231,764
Receivables - Net	29,160	28,896	58,056
Inventory	---	9,520	9,520
Prepaid Items and Other Assets	5,721	---	5,721
Internal Balances	(9,500)	9,500	---
Restricted Cash	---	57,834	57,834
Capital Assets Not Being Depreciated	20,876	---	20,876
Capital Assets Being Depreciated - Net	<u>402,025</u>	<u>953,094</u>	<u>1,355,119</u>
Total Assets	<u>524,924</u>	<u>1,213,966</u>	<u>1,738,890</u>
<u>Liabilities</u>			
Accounts Payable and Accrued Expenses	10,962	8,793	19,755
Long-Term Liabilities:			
Due Within One Year	---	36,000	36,000
Due In More Than One Year	<u>---</u>	<u>594,000</u>	<u>594,000</u>
Total Liabilities	<u>10,962</u>	<u>638,793</u>	<u>649,755</u>
<u>Net Assets</u>			
Invested In Capital Assets, Net of Related Debt	422,901	323,094	745,995
Replacement/Debt Service	---	57,834	57,834
Unrestricted	<u>91,061</u>	<u>194,245</u>	<u>285,306</u>
Total Net Assets	<u>\$513,962</u>	<u>\$ 575,173</u>	<u>\$1,089,135</u>

VILLAGE OF ADDISON
Government-wide Statement of Activities
For The Year Ended February 28, 2007

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Net (Expenses) Revenues</u>
Primary Government					
<u>Governmental Activities:</u>					
General Government	\$ 60,486	\$ 40,433	\$ ---	\$ ---	\$ (20,053)
Public Safety	46,777	23	385	---	(46,369)
Public Works	148,411	56,834	54,638	---	(36,939)
Community and Economic Development	5,847	---	---	---	(5,847)
Recreation and Culture	15,074	---	---	1,250	(13,824)
Other	43,204	---	---	---	(43,204)
Total Governmental Activities	<u>319,799</u>	<u>97,290</u>	<u>55,023</u>	<u>1,250</u>	<u>(166,236)</u>
<u>Business-Type Activities:</u>					
Utilities	<u>202,934</u>	<u>132,362</u>	<u>---</u>	<u>---</u>	<u>(70,572)</u>
Total Business-Type Activities	<u>202,934</u>	<u>132,362</u>	<u>---</u>	<u>---</u>	<u>(70,572)</u>
Total Primary Government	<u>\$522,733</u>	<u>\$229,652</u>	<u>\$55,023</u>	<u>\$1,250</u>	<u>\$ (236,808)</u>

VILLAGE OF ADDISON
Government-wide Statement Of Activities (Concluded)
For The Year Ended February 28, 2007

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Changes In Net Assets</u>			
Net (Expense) Revenue	\$ (166,236)	\$ (70,572)	\$ (263,808)
General Revenues:			
Property Taxes	108,142	41,373	149,515
Grants and Contributions Not Restricted To Specific Programs	61,367	---	61,367
Unrestricted Investment Earnings and Rentals	<u>11,230</u>	<u>9,623</u>	<u>20,853</u>
Total General Revenues, Contributions and Transfers	<u>180,739</u>	<u>50,996</u>	<u>231,735</u>
 Change In Net Assets	 14,503	 (19,576)	 (5,073)
 Net Assets, Beginning of Year	 <u>499,459</u>	 <u>594,749</u>	 <u>1,094,208</u>
 Net Assets, End of Year	 <u>\$ 513,962</u>	 <u>\$575,173</u>	 <u>\$1,089,135</u>

VILLAGE OF ADDISON
Governmental Funds
Balance Sheet
February 28, 2007

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$22,994	\$17,116	\$33,987
Prepaid Expenses	5,721	---	---
Receivables - Net	28,082	---	---
Due From Other Funds	<u>---</u>	<u>---</u>	<u>---</u>
Total Assets	<u>\$56,797</u>	<u>\$17,116</u>	<u>\$33,987</u>
<u>LIABILITIES</u>			
Accounts Payable/Accrued Liabilities	\$ 5,618	\$ 763	\$ 121
Due to Other Funds	49,875	---	---
Deferred Income	<u>4,133</u>	<u>---</u>	<u>---</u>
Total Liabilities	<u>59,626</u>	<u>763</u>	<u>121</u>
<u>FUND BALANCES</u>			
Unreserved (Deficit)	<u>(2,829)</u>	<u>16,353</u>	<u>33,866</u>
Total Fund Balances (Deficit)	<u>(2,829)</u>	<u>16,353</u>	<u>33,866</u>
Total Liabilities and Fund Balances	<u>\$56,797</u>	<u>\$17,116</u>	<u>\$33,987</u>

The notes to financial statements are an integral part of this statement.

**Other
Non-Major
Governmental
Funds**

\$5,874

3,300

\$9,174

\$ 32

32

9,142

9,142

\$9,174

**Total
Governmental
Funds**

\$ 79,971
5,721
28,082
3,300

\$117,074

\$ 6,534
49,875
4,133

60,542

56,532

56,532

\$117,074

VILLAGE OF ADDISON
Reconciliation of Fund Balances On The Balance Sheet For Governmental Funds
To Net Assets Of Governmental Activities On The Statement of Net Assets
February 28, 2007

Fund Balances – Total Governmental Funds	\$ 56,532
---	-----------

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add: Capital Assets	865,166
Deduct: Accumulated Depreciation	(442,265)

An internal service fund is used by management to charge the costs of certain equipment usage to individual governmental funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.

Add: Net assets of governmental activities accounted for in the internal service fund.	30,396
---	--------

Certain liabilities, such as bonds payable, notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct: Receivable Adjustments - Deferred Revenue	<u>4,133</u>
--	--------------

Net Assets of Governmental Activities	<u>\$ 513,962</u>
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VILLAGE OF ADDISON
Governmental Funds
Statement of Revenue, Expenditures, and Changes in Fund Balances
For The Year Ended February 28, 2007

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>
<u>REVENUES</u>			
Taxes	\$ 82,609	\$ ---	\$24,647
Licenses and Permits	23	42,698	---
Intergovernmental	61,752	---	11,940
Charges for Services	24,729	---	---
Interest and Rentals	706	---	260
Contributions	---	---	---
Other	15,031	---	673
Total Revenue	<u>184,850</u>	<u>42,698</u>	<u>37,520</u>
<u>EXPENDITURES</u>			
Current:			
General Government	60,486	---	---
Public Safety	44,522	---	---
Public Works	23,335	31,549	21,478
Community Economic Development	5,847	---	---
Recreation and Culture	14,139	---	---
Capital Outlay	---	---	---
Other	42,783	---	---
Total Expenditures	<u>191,112</u>	<u>31,549</u>	<u>21,478</u>
Excess of Revenue Over (Under) Expenditures	(6,262)	11,149	16,042
Other Financing Sources (Uses)			
Transfers In	4,000	---	---
Transfers (Out)	---	---	---
Total Other Financing Sources (Uses)	<u>4,000</u>	<u>---</u>	<u>---</u>
Net Change In Fund Balances (Decrease)	(2,262)	11,149	16,042
Fund Balances – Beginning of Year (Deficit)	<u>(567)</u>	<u>5,204</u>	<u>17,824</u>
Fund Balances – End of Year (Deficit)	<u>\$ (2,829)</u>	<u>\$16,353</u>	<u>\$33,866</u>

The notes to financial statements are an integral part of this statement.

**Other
Non-Major
Governmental
Funds**

**Total
Governmental
Funds**

\$ ---	\$107,256
---	23
---	116,390
---	24,729
10,235	11,201
1,250	1,250
---	15,704
<u>11,485</u>	<u>276,553</u>
---	60,486
---	44,522
---	76,362
---	5,847
---	14,139
9,695	9,695
---	42,783
<u>9,695</u>	<u>253,834</u>
1,790	22,719
---	4,000
<u>(4,000)</u>	<u>(4,000)</u>
<u>(4,000)</u>	<u>---</u>
(2,210)	22,719
<u>11,352</u>	<u>33,813</u>
<u>\$ 9,142</u>	<u>\$ 56,532</u>

VILLAGE OF ADDISON
Reconciliation Of The Statement Of Revenues, Expenditures,
And Changes In Fund Balances Of Governmental Statement Of Activities
February 28, 2007

Net Change In Fund Balances – Total Governmental Funds	\$ 22,719
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add:	Capital Outlay	9,695
-------------	----------------	-------

Deduct:	Depreciation Expense	(30,248)
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Accounts Receivable - Adjustments - Deferred Income	<u>12,337</u>
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Change In Net Assets Of Governmental Activities	<u>\$ 14,503</u>
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VILLAGE OF ADDISON
Statement of Net Assets
Proprietary Funds
February 28, 2007

	Business-Type Activities - Enterprise Funds	Governmental Activities
	<u>Utilities Fund</u>	<u>Internal Service Fund</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 147,429	\$ 4,364
Due from Other Funds	---	46,575
Accounts Receivable	28,896	1,078
Inventory	9,520	---
Prepaid Expenses	---	---
Notes Receivable - Internal Service Fund	9,500	---
Noncurrent Assets:		
Restricted Cash	57,834	---
Property and Equipment - Net	953,094	30,515
Total Noncurrent Assets	<u>1,010,928</u>	<u>30,515</u>
Total Assets	<u>\$1,206,273</u>	<u>\$82,532</u>
Liabilities		
Current Liabilities:		
Accounts Payable and Accrued Liabilities/Deposits	\$ 8,793	\$ 4,428
Bonds Payable, Current Portion	36,000	---
Notes Payable - Utilities Funds	---	9,500
Total Current Liabilities	<u>44,793</u>	<u>13,928</u>
Noncurrent Liabilities:		
Bonds Payable	594,000	---
Total Noncurrent Liabilities	<u>594,000</u>	<u>---</u>
Total Liabilities	<u>638,793</u>	<u>13,928</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	323,094	21,015
Restricted for Replacement/Retirement	57,834	---
Unrestricted	186,552	47,589
Total Net Assets	567,480	<u>\$68,604</u>
Adjustment to Reflect The Consolidation of Internal Service Fund Activities Related to Enterprise Funds	<u>7,693</u>	
Net Assets of Business-Type Activities on the Government-Wide Statement of Net Assets	<u>\$ 575,173</u>	

VILLAGE OF ADDISON
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For The Year Ended February 28, 2007

	Business-Type Activities - Enterprise Funds	Governmental Activities
	Utilities Fund	Internal Service Fund
Operating Revenues		
Charges for Services	<u>\$132,362</u>	<u>\$50,385</u>
Liabilities		
Salaries and Wages	27,301	11,767
Fringe Benefits	2,089	1,260
Office Expenses	5,770	---
Contractual Services	63,159	---
Supplies and Materials	2,019	28,058
Utilities	11,037	---
Depreciation	47,533	4,715
Other Expenses	11,191	373
Administrative Fee	7,390	3,533
Training and Testing	<u>1,949</u>	<u>---</u>
Total Operating Expenses	<u>179,438</u>	<u>49,706</u>
Operating Income (Loss)	<u>(47,076)</u>	<u>679</u>
Non-Operating Revenues (Expenses)		
Investment Income/Penalties	10,044	29
Interest (Expense)	(16,435)	(421)
Debt Retirement	41,373	---
Gain on Sale of Capital Assets	<u>---</u>	<u>7,504</u>
Total Non-Operating Revenues (Expenses)	<u>34,982</u>	<u>7,112</u>
Income (Loss) Before Transfers	(12,094)	7,791
Net Assets, Beginning of Year	<u>579,574</u>	<u>60,813</u>
Net Assets, End of Year	<u>\$567,480</u>	<u>\$68,604</u>

VILLAGE OF ADDISON
Reconciliation Of The Statement Of Revenues, Expenditures, To The Statement Of Activities
February 28, 2007

Change In Net Assets – All Enterprise Funds	\$(12,094)
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An internal service fund is used by management to charge the cost of certain equipment usage to individual enterprise funds. The net revenue (expense) attributable to those funds is reported with the business-type activities	<u>(7,482)</u>
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Change In Net Assets Of Business-Type Activities (Decrease)	<u><u>\$(19,576)</u></u>
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VILLAGE OF ADDISON
Statement of Cash Flows
Proprietary Funds
For The Year Ended February 28, 2007

	Business-Type Activities Enterprise Funds	Governmental Activities
	Utilities Fund	Internal Service Fund
Cash Flows From Operating Activities		
Cash Received from Customers	\$ 126,473	\$ ---
Cash Received Miscellaneous	---	50,345
Cash Payment to Suppliers For Goods and Services/Employees	<u>(132,761)</u>	<u>(41,095)</u>
Net Cash Provided (Used)	<u>(6,288)</u>	<u>9,250</u>
Cash Flows From Capital and Related Financing Activities		
Gain on Sale of Capital Assets	---	7,504
Purchase of Capital Assets	---	(27,867)
Bond Principal Payments	(36,000)	---
Bond Interest Payments	(16,613)	---
Bonded Debt Collections	41,373	---
Note Payable - Interest Payments	---	(421)
Note Payable - Equipment	(22,000)	22,000
Note Payable - Principal Payments	<u>12,500</u>	<u>(12,500)</u>
Net Cash (Used) by Capital and Related Financing Activities)	<u>(20,740)</u>	<u>(11,284)</u>
Cash Flows From Investing Activities		
Investment Income	<u>10,044</u>	<u>29</u>
Net Cash Provided (Used) by Investing Activities	<u>10,044</u>	<u>29</u>
Net (Decrease) in Cash and Cash Equivalents	(16,984)	(2,005)
Cash and Cash Equivalents, Beginning of Year	<u>222,247</u>	<u>6,369</u>
Cash and Cash Equivalents, End of Year	<u>\$ 205,263</u>	<u>\$ 4,364</u>
Reconciliation to Statement of Net Assets		
Cash and Cash Equivalents	\$ 147,429	\$ 4,364
Restricted Cash and Cash Equivalents	<u>57,834</u>	<u>---</u>
	<u>\$ 205,263</u>	<u>\$ 4,364</u>

VILLAGE OF ADDISON
Statement of Cash Flows (Concluded)
Proprietary Funds
For The Year Ended February 28, 2007

	Business-Type Activities - Enterprise Funds	Governmental Activities
	<u>Utilities Fund</u>	<u>Internal Service Fund</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$(47,076)	\$ 679
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:		
Gain on Sale of Capital Assets	---	7,504
Depreciation/Amortization	47,533	4,715
Changes in Assets and Liabilities:		
Accounts Receivable	(5,889)	(40)
Due From Other Funds	---	---
Accounts Payable, Accrued Liabilities, Bonds Current Portion	1,345	3,896
Other Assets	<u>(11,701)</u>	<u>---</u>
Net Cash Provided (Used) by Operating Activities	<u>(15,788)</u>	<u>16,754</u>
Cash Flows from Capital Activities:		
Acquisition of Capital Assets	<u>---</u>	<u>(27,867)</u>
Net Cash (Used) from Capital Activities	<u>---</u>	<u>(27,867)</u>
Cash Flows From Financing Activities:		
Debt Retirement	41,373	---
Note Payable - Equipment	---	22,000
Principal Paid on Bonds	(36,000)	---
Principal Paid on Notes	---	(12,500)
Interest Paid on Bonds/Notes	(16,613)	(421)
Interest Income	<u>10,044</u>	<u>29</u>
Net Cash (Used) from Financing Activities	<u>(1,196)</u>	<u>9,108</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(16,984)	(2,005)
Cash and Cash Equivalents, Beginning of Year	<u>222,247</u>	<u>6,369</u>
Cash and Cash Equivalents, End of Year	<u>\$205,263</u>	<u>\$ 4,364</u>

VILLAGE OF ADDISON
Notes to Financial Statements
February 28, 2007

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Addison, Michigan conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Reporting Entity

Village of Addison, Michigan is governed by an elected council. The accompanying financial statements present the government for which government is considered to be financially accountable.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and nonmajor governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for agency funds, which do not have a measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

VILLAGE OF ADDISON
Notes to Financial Statements
February 28, 2007

Property taxes, franchise taxes, intergovernmental revenue licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund is a Special Revenue Fund that receives state and local funding for the purpose of construction and maintenance of Village streets designated as major streets under State of Michigan Act 51 of Public Acts of 1951.

The Local Street Fund is a Special Revenue Fund that receives state and local funding for the purpose of construction and maintenance of Village streets designated as local streets under State of Michigan Act 51 of Public Acts of 1951.

The government reports the following major proprietary funds:

The Utilities Fund accounts for acquisition, operation and maintenance of the Village's waste water and water system.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-side and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Utilities Funds are charges to customers for sales and services. The Utilities Funds are also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

VILLAGE OF ADDISON
Notes to Financial Statements
February 28, 2007

D. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

E. Assets, Liabilities, and Net Assets or Equity

1. **Bank Deposits and Investment** – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loans associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

2. **Receivables and Payables** – In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."
3. **Prepaid Items** – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements using the consumption method.
4. **Inventories** – All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.
5. **Restricted Assets** – Certain proceeds of enterprise fund revenue bonds and general obligations bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The bond interest and redemption account is used to segregate resources accumulated for debt service payments. The bond reserve account is used to report resources set aside to make debt service payment on bonds which would otherwise be in default. The replacement account is used to report resources set aside to make major repairs and replacements to fixed operation assets of the enterprise fund.
6. **Capital Assets** – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., road, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,500 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

VILLAGE OF ADDISON
Notes to Financial Statements
February 28, 2007

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	20 - 50
Building	10 - 50
Machinery, Equipment, And Furnishings	5 - 35
Utility Systems	50 - 100
Infrastructure	15 - 100
Vehicles	5 - 15

7. **Compensated Absences** – It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirement.

Obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

8. **Fund Equity** – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. **Budgetary Information** – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

On or before the end of January of each year, the Village Council presents the proposed budget for review and holds public hearings and a final budget is adopted.

VILLAGE OF ADDISON
Notes to Financial Statements
February 28, 2007

The appropriated budget is prepared by fund, function and activity. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is with the Village Council.

B. Excess of Expenditures Over Appropriations In Budgeted Funds - P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. During the year ended February 28, 2007, the government incurred expenditures in excess of amounts appropriated at the legal level of budgetary control as follows:

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
General Government:			
Community Promotion and			
Economic Development	\$ 1,250	\$ 5,847	\$4,597
Professional Services	2,500	3,045	545
Office Bookkeeper	5,950	7,723	1,773
Public Safety:			
Police	19,500	23,831	4,331
Public Works:			
Street Lighting	9,500	10,560	1,060
Miscellaneous Functions	39,899	42,783	2,884

NOTE 3 – DEPOSITS AND INVESTMENTS

The government unit's deposits and investment policy are in accordance with statutory authority.

Investments made by the Village are summarized below. The investments that are represented by specific identifiable investment securities are classified as to credit risk by the three categories described below:

- Category 1:** Insured or registered, or securities held by the Village or its agent in the Village's name.
- Category 2:** Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Village's name.
- Category 3:** Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Village's name.

	<u>Category 1</u>	<u>2</u>	<u>3</u>	<u>Carrying Value</u>	<u>Market Value</u>
Cash and Cash Equivalents	<u>\$289,598</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$289,598</u>	<u>\$289,598</u>
	<u>\$289,598</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$289,598</u>	<u>\$289,598</u>

VILLAGE OF ADDISON
Notes to Financial Statements
February 28, 2007

Balance Sheet Cash And Cash Investments

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for the Village's deposits are as follows:

<u>Deposits</u>	<u>Carrying Amount</u>
Insured (FDIC) (FSLIC)	\$100,000
Uninsured:	
Uncollateralized	<u>189,598</u>
Total	<u>\$289,598</u>

Total cash consist of: Cash and cash investments of \$231,764 and restricted cash of \$57,834.

VILLAGE OF ADDISON
Notes to Financial Statements
February 28, 2007

NOTE 4 – CAPITAL ASSETS

Capital assets activity for the year ended February 28, 2007 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated:				
Other	\$ 20,876	\$ ---	\$ ---	\$ 20,876
	<u>20,876</u>	<u>---</u>	<u>---</u>	<u>20,876</u>
Capital Assets, Being Depreciated:				
Buildings	121,813	6,629	---	128,442
Equipment	147,150	30,213	20,094	157,269
Infrastructure	<u>558,579</u>	<u>---</u>	<u>---</u>	<u>558,579</u>
Total Capital Assets Being Depreciated	<u>827,542</u>	<u>36,842</u>	<u>20,094</u>	<u>844,290</u>
Less Accumulated Depreciation For:				
Buildings	(29,575)	(2,255)	---	(31,830)
Equipment	(130,998)	(5,650)	20,094	(116,554)
Infrastructure	<u>(271,538)</u>	<u>(22,343)</u>	<u>---</u>	<u>(293,881)</u>
Total Accumulated Depreciation	<u>(432,111)</u>	<u>(30,248)</u>	<u>20,094</u>	<u>(442,265)</u>
Total Capital Assets, Being Depreciated, Net	<u>395,431</u>	<u>6,594</u>	<u>---</u>	<u>402,025</u>
Governmental Activities Capital Assets, Net	<u>\$ 416,307</u>	<u>\$ 6,594</u>	<u>\$ ---</u>	<u>\$ 422,901</u>
<u>Business-Type Activities</u>				
Capital Assets, Being Depreciated:				
Buildings and Systems	\$1,807,973	\$ ---	\$ ---	\$1,807,973
Equipment	<u>69,754</u>	<u>---</u>	<u>---</u>	<u>69,754</u>
Total Capital Assets Being Depreciated	<u>1,877,727</u>	<u>---</u>	<u>---</u>	<u>1,877,727</u>
Less Accumulated Depreciation For:				
Buildings and Systems	(829,479)	(42,628)	---	(872,107)
Equipment	<u>(47,621)</u>	<u>(4,905)</u>	<u>---</u>	<u>(52,526)</u>
Total Accumulated Depreciation	<u>(877,100)</u>	<u>(47,533)</u>	<u>---</u>	<u>(924,633)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,000,627</u>	<u>(47,533)</u>	<u>---</u>	<u>953,094</u>
Business Type Activities Capital Assets, Net	<u>\$1,000,627</u>	<u>\$ (47,533)</u>	<u>\$ ---</u>	<u>\$ 953,094</u>

VILLAGE OF ADDISON
Notes to Financial Statements
February 28, 2007

Depreciation expense was charged to functions/programs of the Village as follows:

Governmental Activities:

Recreation and Culture	\$ 935
Public Safety	2,255
Public Works	22,343
Capital Assets Held By The Government's Internal Service Funds Are Charged To The Various Functions Based On Their Usage Of The Assets.	<u>4,715</u>

Total Depreciation Expense Governmental Activities	<u>\$30,248</u>
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Business-Type Activities:

Utilities	<u>\$47,533</u>
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Total Depreciation Expense Business-Type Activities	<u>\$47,533</u>
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NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

At February 28, 2007, the following were interfund receivables and payables in the fund statement.

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General	\$ ---	\$49,875
Park Improvement	3,300	---
Internal Service Fund	<u>46,575</u>	<u>---</u>
	<u>\$49,875</u>	<u>\$49,875</u>

VILLAGE OF ADDISON
Notes to Financial Statements
February 28, 2007

NOTE 6 – TRANSFERS

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted, to or allowed for debt services from the funds collecting the receipts to the debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs, accounted for in other funds in accordance with budgetary authorizations.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Fire Improvement Fund	\$ ---	\$4,000
General Fund	<u>4,000</u>	<u>---</u>
	<u>\$4,000</u>	<u>\$4,000</u>

NOTE 7 – PROPERTY TAXES:

The Village collects its own property taxes within its jurisdiction. Village property tax revenues are recognized as revenues in the fiscal year levied to the extent that they result in current receivables.

VILLAGE OF ADDISON
Notes to Financial Statements
February 28, 2007

NOTE 8 – LONG TERM DEBT

Long-term debt consists of the following:

	<u>Balance March 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance February 28, 2007</u>
Bonds Payable – Rollin-Woodstock Sanitary Drain	\$664,500	\$ ---	\$34,500	\$630,000
Total	<u>\$664,500</u>	<u>\$ ---</u>	<u>\$34,500</u>	<u>\$630,000</u>

Bond Payable – Rollin - Woodstock Drain Improvement

Bonds issued by Lenawee County for Rollin - Woodstock Sanitary Drain, 5184-01.

Bonds are obligated by three municipalities as follows:

Village of Addison	15%
Township of Rollin	61%
Township of Woodstock	24%

Total refinanced bond issue: \$5,080.00
Interest rate: variable
Principle payment due: October 1st each year
Interest payment made semi-annual: October 1st and April 1st
Amount of Issue: Village of Addison \$762,000

Bonds payable - February 28, 2006	\$664,500
(Less) Payment made during fiscal year	<u>(34,500)</u>
Balance at February 28, 2007	<u>\$630,000</u>

Principal payments over next five years are as follows:

October 1, 2008	\$36,000
October 1, 2008	36,750
October 1, 2010	37,500
October 1, 2011	39,000
October 1, 2012	39,750

VILLAGE OF ADDISON
Notes to Financial Statements
February 28, 2007

Maturities of Long-Term Debt

Maturities for the next five years of long-term debt are as follows:

<u>Years</u>	<u>Amounts</u>
2008	\$ 36,000
2009	36,750
2010	37,500
2011	39,000
2012	39,750
There After	<u>441,000</u>
	<u>\$630,000</u>

NOTE 9 – PENSION PLAN

The Village of Addison contributes to IRA's for eligible individuals.

NOTE 10 – OTHER INFORMATION

Risk Management

The government is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended February 28, 2007, the government carried insurance through various commercial carriers, to cover all risks of losses. The government has had no settled claims resulting from these risks that exceeded its commercial coverage in any of the past three fiscal years.

NOTE 11 – DEFICIT FUND BALANCE – GENERAL FUND

At the end of the fiscal year the Village had a negative fund balance; appropriate action to eliminate this is being acted on by the Village Council.

VILLAGE OF ADDISON
Budgetary Comparison Schedule
General Fund
For The Year Ended February 28, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$ 25,000	\$ 25,000	\$ (567)	\$ (25,567)
Taxes and Assessments	85,000	85,000	82,609	(2,391)
Intergovernmental	62,000	62,000	61,752	(248)
Licenses and Permits	250	250	23	(227)
Charges for Services	19,500	19,500	24,729	5,229
Interest and Rentals	100	100	706	606
Other	2,975	2,975	15,031	12,056
Transfer from Other Funds	---	---	4,000	4,000
 Amounts Available for Appropriation	 <u>194,825</u>	 <u>194,825</u>	 <u>188,283</u>	 <u>(6,542)</u>
 <u>Charges to Appropriations (Outflows)</u>				
General Government				
Village Council	7,250	7,250	5,682	1,568
Cemetery	11,900	11,900	9,561	2,339
Office - Bookkeeper	5,950	5,950	7,723	(1,773)
Treasurer	8,200	8,200	7,944	256
Clerk	12,000	12,000	11,368	632
Professional Services	2,500	2,500	3,045	(545)
Buildings and Grounds	23,400	23,400	15,163	8,237
 Public Safety				
Police	19,500	19,500	23,831	(4,331)
Fire	21,126	21,126	20,691	435
Inspections	750	750	---	750
 Community Promotion and Economic Development	 1,250	 1,250	 5,847	 (4,597)
 Recreation and Culture				
Parks and Recreation	16,000	16,000	14,139	1,861
 Public Works				
Street Lighting	9,500	9,500	10,560	(1,060)
Sanitation	3,000	3,000	2,662	338
Other	12,600	12,600	10,113	2,487
 Miscellaneous	 <u>39,899</u>	 <u>39,899</u>	 <u>42,783</u>	 <u>(2,884)</u>
 Total Charges to Appropriations	 <u>194,825</u>	 <u>194,825</u>	 <u>191,112</u>	 <u>3,713</u>
 Ending of Year Fund Balance (Deficit)	 <u>\$ ---</u>	 <u>\$ ---</u>	 <u>\$ (2,829)</u>	 <u>\$ (2,829)</u>

VILLAGE OF ADDISON
Budgetary Comparison Schedule
Major Street Fund (Major Special Revenue Fund)
For The Year Ended February 28, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$ 8,000	\$ 8,000	\$ 5,204	\$ (2,796)
Intergovernmental	40,000	40,000	42,698	2,698
Transfers from Other Funds	<u>15,000</u>	<u>15,000</u>	<u>---</u>	<u>(15,000)</u>
 Amounts Available for Appropriation	 <u>63,000</u>	 <u>63,000</u>	 <u>47,902</u>	 <u>(15,098)</u>
 <u>Charges to Appropriations (Outflows)</u>				
Public Works	<u>63,000</u>	<u>63,000</u>	<u>31,549</u>	<u>31,451</u>
 Total Charges to Appropriations	 <u>63,000</u>	 <u>63,000</u>	 <u>31,549</u>	 <u>31,451</u>
 Ending of Year Fund Balance	 <u>\$ ---</u>	 <u>\$ ---</u>	 <u>\$16,353</u>	 <u>\$ 16,353</u>

VILLAGE OF ADDISON
Budgetary Comparison Schedule
Local Street Fund (Major Special Revenue Fund)
For The Year Ended February 28, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance With Amended Budget</u>
<u>Beginning of Year Fund Balance</u>				
Resources (Inflows)	\$ ---	\$ ---	\$17,824	\$ 17,824
Intergovernmental	11,500	11,500	11,940	440
Property Taxes	15,000	15,000	24,647	9,647
Interest Income	---	---	260	260
Miscellaneous	---	---	673	673
 Amounts Available for Appropriation	 <u>26,500</u>	 <u>26,500</u>	 <u>55,344</u>	 <u>28,844</u>
 <u>Charges to Appropriations (Outflows)</u>				
Public Works	<u>26,500</u>	<u>26,500</u>	<u>21,478</u>	<u>5,022</u>
 Total Charges to Appropriations	 <u>26,500</u>	 <u>26,500</u>	 <u>21,478</u>	 <u>5,022</u>
 Ending of Year Fund Balance	 <u>\$ ---</u>	 <u>\$ ---</u>	 <u>\$33,866</u>	 <u>\$ 33,866</u>

VILLAGE OF ADDISON
Combining Balance Sheet
Non-Major Governmental Funds
February 28, 2007

	<u>Special Revenue Funds</u>		
	<u>Fire Improvement Fund</u>	<u>Park Improvement Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>Assets</u>			
Cash	\$4,438	\$1,436	\$5,874
Due from Other Funds	<u>---</u>	<u>3,300</u>	<u>3,300</u>
Total Assets	<u>\$4,438</u>	<u>\$4,736</u>	<u>\$9,174</u>
<u>Liabilities</u>			
Accounts Payable	\$ 32	\$ ---	\$ 32
Total Liabilities	<u>32</u>	<u>---</u>	<u>32</u>
<u>Fund Balance</u>	<u>4,406</u>	<u>4,736</u>	<u>9,142</u>
Total Liabilities And Fund Balances	<u>\$4,438</u>	<u>\$4,736</u>	<u>\$9,174</u>

VILLAGE OF ADDISON
Combining Statement of Revenues, Expenditures and Changes In Fund Balance
Non-Major Governmental Funds
For The Year Ended February 28, 2007

	<u>Special Revenue Funds</u>		
	<u>Fire Improvement Fund</u>	<u>Park Improvement Fund</u>	<u>Total Non-Major Governmental Funds</u>
<u>Revenues:</u>			
Rent	\$10,200	\$ ---	\$ 10,200
Contributions	---	1,250	1,250
Interest Income	<u>35</u>	<u>---</u>	<u>35</u>
Total Revenue	<u>10,235</u>	<u>1,250</u>	<u>11,485</u>
<u>Expenditures:</u>			
Capital Outlay	<u>6,629</u>	<u>3,066</u>	<u>9,695</u>
Total Expenditures	<u>6,629</u>	<u>3,066</u>	<u>9,695</u>
<u>Excess of Revenues Over (Under) Expenditures</u>	<u>3,606</u>	<u>(1,816)</u>	<u>1,790</u>
<u>Other Financing Sources (Uses):</u>			
Operating Transfers In	---	---	---
Operating Transfers (Out)	<u>(4,000)</u>	<u>---</u>	<u>(4,000)</u>
Total Other Financing Sources (Uses)	<u>(4,000)</u>	<u>---</u>	<u>(4,000)</u>
<u>Excess of Revenues and Other Sources Over (Under) (Expenditures and Other Uses</u>	<u>(394)</u>	<u>(1,816)</u>	<u>(2,210)</u>
<u>Beginning Fund Balance</u>	<u>4,800</u>	<u>6,552</u>	<u>11,352</u>
<u>Ending Fund Balance</u>	<u>\$ 4,406</u>	<u>\$ 4,736</u>	<u>\$ 9,142</u>

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May 30, 2007

**Honorable Mayor and Members
Of The Village Council
Village of Addison
Addison, Michigan 49220**

We have examined the combined financial statements of the Village of Addison, Michigan and the combining, individual fund and account group financial statements of the Village as of and for the year ended February 28, 2007 and have issued our report thereon dated May 30, 2007. As a part of our examination, we made a study and evaluation of the Village's system of internal accounting control to the extent we considered necessary to evaluate the system as required by auditing standards generally accepted in the United States of America. Under these standards, the purposes of such an evaluation are to establish a basis for reliance on the system of internal accounting control in determining the nature, timing and extent of other auditing procedures that are necessary for expressing an opinion on the financial statement and to assist the auditor in planning and performing his examination of the financial statements.

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgments by management.

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting control. In the performance of most control procedures, errors can result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management either with respect to the execution and recording of transactions or with respect to the estimates and judgments required in the preparation of financial statements. Further, projection of any evaluation of internal accounting control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate.

Our examination of the financial statements made in accordance with auditing standards generally accepted in the United States of America, including the study and evaluation of the Village's system of internal accounting control for the year ended February 28, 2007, that was made for the purpose set forth in the first paragraph of this report, would not necessarily disclose all weaknesses in the system because it was based on selective tests of accounting records and related data.

Statement on Auditing Standards Pronouncement 112 requires us as auditors to communicate what we determine to be significant deficiencies and material weaknesses to management and those charged with governance in regards to internal control matters.

A significant deficiency is a control deficiency or combination of control deficiencies that creates the remote likelihood that a misstatement of the Village's financial statements is more than inconsequential and will not be prevented or detected.

Based on this criteria we feel the following comments are in this category:

1. **WATER METER - REVENUE**

Our examination results showed that there are still problems with water meters being broken, not installed or replaced to reflect correct billings for water service. This would most likely result in misstatement of the Villages water and sewer revenue. There has been improvement in this area since our original comment. We understand that economic factors also have hindered management in making these necessary improvements. We feel the projected loss in revenue is not material in relation to the financial statements.

OTHER MATERS FOR CONSIDERATION

These comments are not significant deficiencies but are suggestions to improve your existing accounting and control systems.

1. **BUDGET**

Act 621 requires the Village to setup a balancing budget, etc. Presently your budget is estimating a carryover of general fund net assets substantially greater then actual which is a deficit. Your budget is projecting a zero equity position with this carryover. It will be necessary for you to study your budget understanding you do not had any carryover, thus you are presently projecting an actual deficit.

2. **GENERAL FUND BALANCE - DEFICIT**

A deficit reduction plan must be established to eliminate the general fund deficit.

3. **UNIFORM CHART OF ACCOUNTS**

Even though you are in basic compliance with the revised Uniform Chart of Accounts (effective April 2002), there are the following funds which should be changed.

<u>Name of Fund</u>	<u>Current Number</u>	<u>Correct Number</u>
Fire Fund	350	206
Park Fund	400	208

4. **BUDGET ADJUSTMENTS**

Because you have passed a line item budget, any changes to the lines budgeted should be made by Village Council and documented in the minutes.

The above mentioned conditions were considered in determining the nature, timing, and extent of audit tests to be applied to our examination of the financial statements, and this report does not modify our report dated May 30, 2007, on such financial statements.

If we can be of any further assistance, please do not hesitate in contacting us.

Respectfully Submitted,


Philip R. Rubley, CPA